

SURFACE DAMAGE AGREEMENT

This Surface Damage Agreement (this "Agreement") is made and entered into this 22nd day of June, 2007, by and between **Jerome H. & Lydia Loeffler**, husband and wife, ("Owners") with an address of 23896 Weld County Road 35, La Salle, Colorado 80645 and **K.P. Kauffman Company, Inc.** ("KPK") with an address of 1675 Broadway, Suite 2800, Denver, Colorado 80202.

Whereas, KPK or an affiliate has the right to drill oil and gas wells known as the Loeffler 1-12-5 and the Loeffler 1-12-A1 (the "Wells") on the lands described below (the "Lands") and more fully depicted on Exhibit A, to wit:

Township 4 North, Range 66 West, 6th P.M.
Section 1: W/2NW/4
Weld County, Colorado

Whereas, Owners and KPK wish to memorialize their agreement concerning location of oil and gas facilities, including but not limited to well sites, pipelines, batteries (Oil and Gas Facilities) and access and the payment for damages to the surface of the Lands in connection with the drilling, construction, completion, recompletion, reworking, re-entry, production, maintenance and operation of the Wells and all pipelines, tank batteries and other facilities or property of KPK or its affiliates associated with the Wells and located on the Lands.

Therefore, for and in consideration of the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Owners and KPK agree as follows:

1. No later than thirty (30) days prior to the commencement of drilling operations for the Well, KPK shall pay Owners \$15,000.00 for the Wells and expanded battery locations ("Damage Amount"). Such payment shall constitute payment in full by KPK and its affiliates for all normal damages, including, but not limited to, damages to growing crops, associated with the drilling, construction, completion, recompletion, reworking, re-entry, production, tank battery location, operation and maintenance of the Wells. Normal damages include, but are not limited to, reasonable and customary ingress, egress, rights-of-way, construction of all access roads, preparation and use of the drillsite area, preparation and use of reserve pits, and construction, installation and maintenance of production equipment and facilities such as flowlines, gas pipelines, separators, tank batteries and other equipment or facilities necessary or convenient for the production, transportation and sale of oil and/or gas therefrom. Should KPK drill the Wells located in the W/2NW/4 of the Lands and subject to existing Surface Use Agreements dated the day and year first written above (i.e. drill all KPK wells in the W/2NW/4 of the Lands "back-to-back"), KPK shall pay Owner the sum of \$1,000.00 per well for the right to move the drilling rig across the Lands.
2. If by reason of KPK's operations, there is damage to personal property located on the Lands or there is damage to the surface of the Lands caused by the negligence of KPK or an unreasonable use of the surface of the Lands by KPK that is not associated with reasonable and normal drilling, completion, recompletion, reworking, re-entry, production, maintenance and operation of the Wells, such as damage to structures, fences, culverts and cement ditches, such damage shall be repaired or replaced by KPK or KPK shall promptly pay Owners for such damage.

3. Owners warrant that they are the owners of the entire surface subject to this Agreement and that no one who is not a party to this Agreement is entitled to object to this Agreement or entitled to payment for normal damage to the surface of the Lands for which payment has been made pursuant to paragraph numbered 1 above.
4. Except as provided in paragraph numbered 2 above for cases of unreasonable surface use and/or negligence by KPK, Owners, for themselves and their successors and assigns, do hereby, in consideration of the Damage Amount, release, relinquish and discharge KPK, its affiliates, successors and assigns from all claims, demands, damages and causes of action that Owners may have by reason of the drilling of the Wells and all other damage or injury to the Lands caused by the drilling, completion, recompletion, reworking, re-entry, production, operation and maintenance of the Wells, and Owners accept the Damage Amount as full compensation therefore.
5. Owners hereby agree that by their payment of the Damage Amount, KPK has fully complied with the applicable governmental regulations and statutes, if any, relating to the settlement of the damages contemplated herein and this Agreement shall be presented to the Colorado Oil and Gas Conservation Commission (COGCC) as proof of that fact.
6. In conducting operations on the Lands, KPK shall:
 - A. Limit the size of each wellsite to approximately 300 feet by 350 feet during any drilling, completion, recompletion or workover operations, and each wellsite shall be no more than an area of not greater than 150 foot radius from the wellbore in size during other periods. The area required for the tank battery location associated with each well shall be limited to an area not less than 75 feet by 150 feet in size upon completion of construction. Any additional tanks or separators will be located as close to the existing tanks and separators as COGCC rules allow. Access roads shall be limited to approximately 30 feet in width during drilling, completion, recompletion and workover operations. The permanent access roads to the well head and tank battery location shall be limited to 20 feet in width.
 - B. Separate the top soil at the time of excavation of pits so that the top soil and subsurface soil may be placed back in proper order as nearly as possible
 - C. Reclaim the wellsite as nearly as practicable to its original condition and, if the location is in pasture, reseed the location with native grasses. Weather permitting, reclamation operations shall be completed within 3 months following drilling and subsequent related operations, unless KPK and Owners mutually agree to postponement because of crop or other considerations.
 - D. Use reasonable efforts to keep the well and battery sites free of weeds and debris.
 - E. Agree to a drilling operation period of October 1 to March 15 of any given year. KPK shall receive written authorization from Owners if the drilling period should change for any reason, which authorization shall not be unreasonably withheld.
7. Attached hereto and made a part of this Agreement as "Exhibit A" is a map of the approximate locations of the Oil and Gas Facilities agreed to by the parties hereto and described in 6.A. Owners and KPK agree that all Flowlines, Easements, Access routes, Well locations and Battery

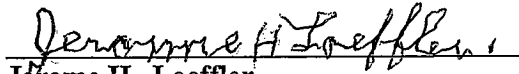
locations will be located in the approximate locations depicted on Exhibit A. Owners and KPK acknowledge that Exhibit A and the locations depicted therein are not drawn to scale.

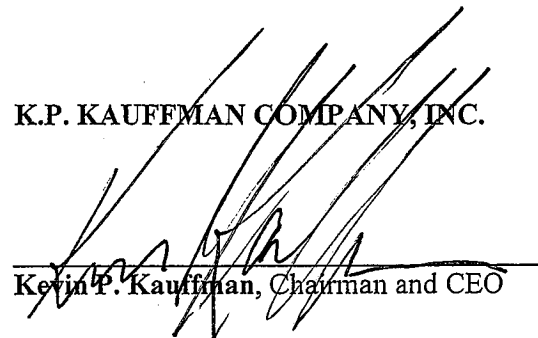
8. Owners waive the minimum 30 days written notice requirement described in the Notice Letter provided by KPK to Owners.
9. When the word "KPK" is used in this Agreement, it shall also mean the successors and assigns of K.P. Kauffman Company, Inc. and it shall include KPK's employees, agents, affiliates, contractors, subcontractors and/or purchasers.
10. This Agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties, and may be executed in counterparts. This Agreement shall be a covenant running with the land.

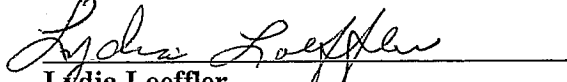
IN WITNESS WHEREOF, the parties have executed this Agreement to be made effective as of the day and year first written above.

OWNERS

K.P. KAUFFMAN COMPANY, INC.


Jerome H. Loeffler


Kevin F. Kauffman, Chairman and CEO


Lydia Loeffler

ACKNOWLEDGEMENTS

STATE OF COLORADO)
COUNTY OF Weld) ss.

On this 2nd day of July 2007, before me personally appeared Jerome H. Loeffler and Lydia Loeffler, and that he/she executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

My Commission Expires: 09/25/2007
1615 California, Suite 702
Denver, Colorado 80202

SEAL



Michael L. Tucker
Notary Public

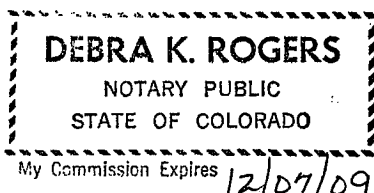
STATE OF COLORADO)
COUNTY OF Denver) ss.

On this 11th day of July 2007, before me personally appeared Kevin P. Kauffman, known to me to be the President and CEO of KP Kauffman Company, Inc., and that he executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

My Commission Expires: 12/07/09

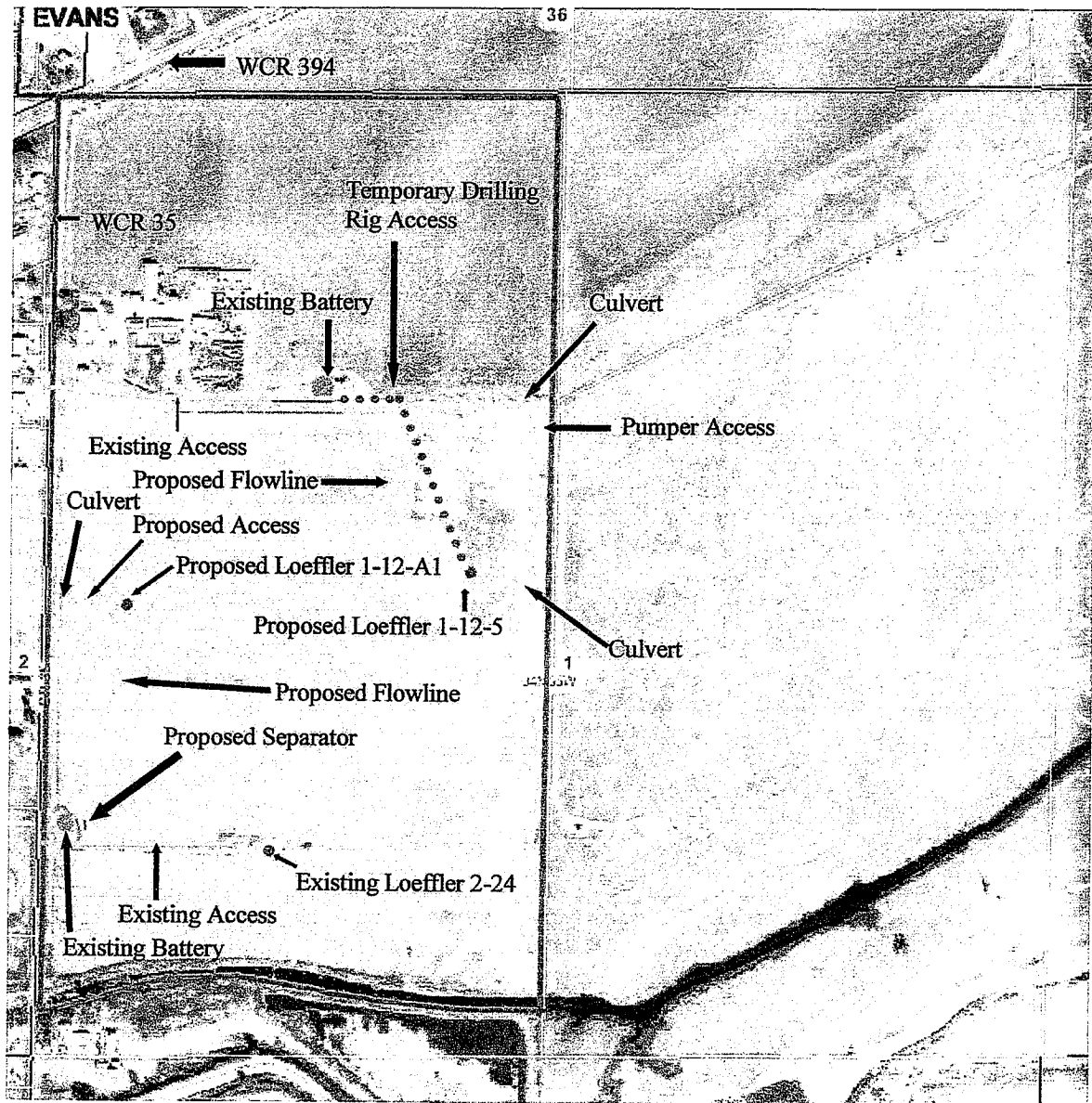
SEAL



Debra K. Rogers
Notary Public

Exhibit A

Township 4 North, Range 66 West. 6th P.M. Section 1: W/2NW/4



- Property
- Existing Access
- Existing Well
- Proposed Well
- Existing and Proposed Flowline
- Proposed Separator
- ⊙ Existing Battery
- Temporary Drilling Rig Access to be reclaimed
- Permanent Pumper Access

SURFACE DAMAGE AGREEMENT

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Township 4 North, Range 66 West, 6th P.M.

Section 1: W/2NW/4

Weld County, Colorado

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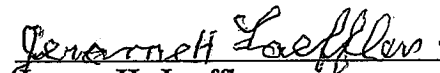
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4. Except as provided in paragraph numbered 2 above for cases of unreasonable surface use and/or negligence by KPK, Owners, for themselves and their successors and assigns, do hereby, in consideration of the Damage Amount, release, relinquish and discharge KPK, its affiliates, successors and assigns from all claims, demands, damages and causes of action that Owners may have by reason of the drilling of the Wells and all other damage or injury to the Lands caused by the drilling, completion, recompletion, reworking, re-entry, production, operation and maintenance of the Wells, and Owners accept the Damage Amount as full compensation therefore.
5. Owners hereby agree that by their payment of the Damage Amount, KPK has fully complied with the applicable governmental regulations and statutes, if any, relating to the settlement of the damages contemplated herein and this Agreement shall be presented to the Colorado Oil and Gas Conservation Commission (COGCC) as proof of that fact.
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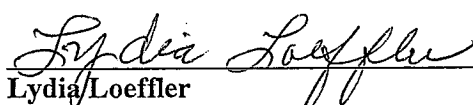
locations will be located in the approximate locations depicted on Exhibit A. Owners and KPK acknowledge that Exhibit A and the locations depicted therein are not drawn to scale.

8. Owners waive the minimum 30 days written notice requirement described in the Notice Letter provided by KPK to Owners.
9. When the word "KPK" is used in this Agreement, it shall also mean the successors and assigns of K.P. Kauffman Company, Inc. and it shall include KPK's employees, agents, affiliates, contractors, subcontractors and/or purchasers.
10. This Agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties, and may be executed in counterparts. This Agreement shall be a covenant running with the land.

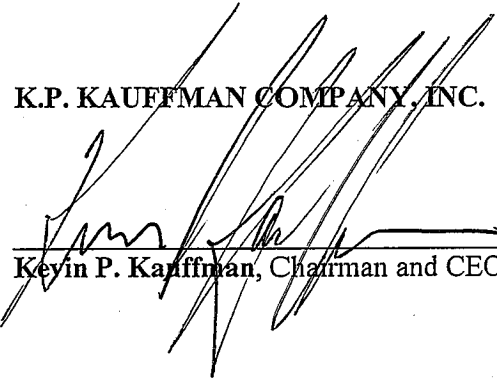
IN WITNESS WHEREOF, the parties have executed this Agreement to be made effective as of the day and year first written above.

OWNERS


Jerome H. Loeffler


Lydia Loeffler

K.P. KAUFFMAN COMPANY, INC.


Kevin P. Kauffman, Chairman and CEO

ACKNOWLEDGEMENTS

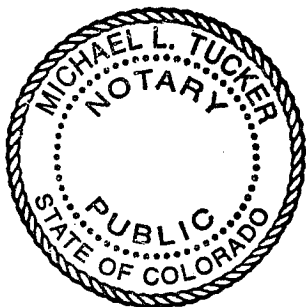
STATE OF COLORADO)
COUNTY OF Weld) ss.

On this 2nd day of July 2007, before me personally appeared Deanne H. Loeffler and Lydix Loeffler, and that he/she executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

My Commission Expires: My Commission Expires 09/25/2007
1615 California, Suite 702
Denver, Colorado 80202

SEAL



Michael L. Tucker
Notary Public

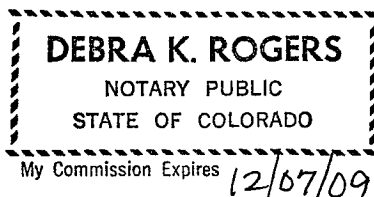
STATE OF COLORADO)
COUNTY OF Denver) ss.

On this 11th day of July 2007, before me personally appeared Kevin P. Kauffman, known to me to be the President and CEO of KP Kauffman Company, Inc., and that he executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

My Commission Expires: 12/07/09

SEAL

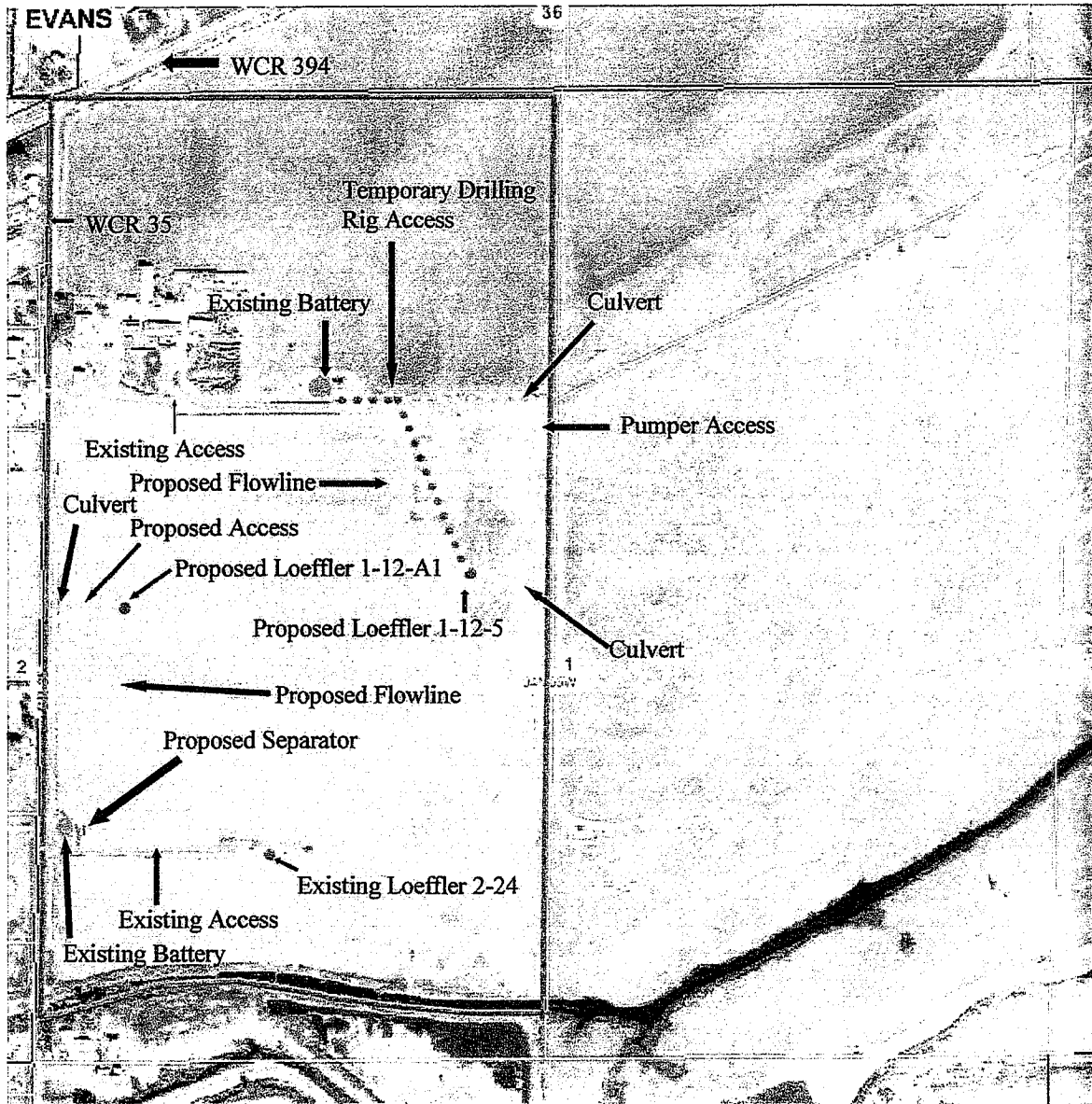


Debra K. Rogers
Notary Public

Exhibit A

Township 4 North, Range 66 West. 6th P.M.

Section 1: W/2NW/4



- Property
- - - Existing Access
- Existing Well
- ⊙ Proposed Well
- - - Existing and Proposed Flowline
- Proposed Separator
- ⊙ Existing Battery
- - - Temporary Drilling Rig Access to be reclaimed
- ⊙ Permanent Pumper Access

MEMORANDUM OF SURFACE DAMAGE AGREEMENT

This Memorandum is made and entered into this 2nd day of July, 2007, by and between **Jerome H. and Lydia Loeffler**, husband and wife, ("Owner") with an address at 23896 Weld County Road 35, La Salle, Colorado 80645, and **K.P. Kauffman Company, Inc.** ("KPK") with an address at 1675 Broadway, Suite 2800, Denver, Colorado 80202-4628.

As of the date above, Owner and KPK entered into a Surface Use Agreement ("Agreement") providing for the use of the surface of the land described below by KPK in connection with certain oil and gas operations and the compensation to Owner for all damages (except as provided for in the Agreement) to the surface of the land associated with the drilling, testing completion, reworking, pumping, operation and maintenance of the well site to be located in:

W/2NW/4 Section 1, Township 4 North, Range 66 West, 6th P.M., Weld County, Colorado.

This Memorandum of Surface Use Agreement is executed by Owner and KPK and placed of record in Weld County, Colorado for the purpose of placing all persons on notice of the existence of the Agreement. A true and complete copy of the Agreement is available from KPK to any person with an interest in the above described land.

OWNER:

Jerome H. Loeffler
Jerome H. Loeffler

Lydia Loeffler
Lydia Loeffler

K.P. KAUFFMAN COMPANY, INC.

By: Kevin P. Kauffman Chairman and
Chief Executive Officer

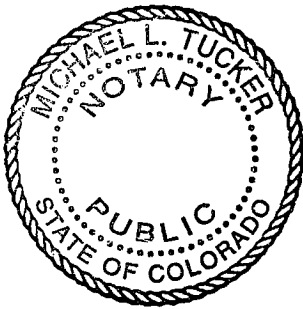
ACKNOWLEDGEMENTS

STATE OF COLORADO)

COUNTY OF Weld)

The foregoing instrument of writing was acknowledged before me on this 2nd day of July, 2007 by Jerome H and Lydia Loeffler, husband and wife, for the uses and purposes stated herein.

Witness my hand and seal:



Michael L. Tucker

Notary Public:

Print Name: Michael L. Tucker

My Commission Expires: _____

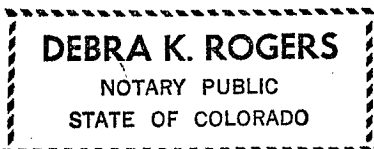
Address: _____
My Commission Expires 09/25/2007
1615 California, Suite 702
Denver, Colorado 80202

STATE OF COLORADO)

COUNTY OF DENVER)

The foregoing instrument of writing was acknowledged before me on this 11th day of July, 2007 by Kevin P. Kauffman, for and on behalf of the K.P. Kauffman Company, Inc., a California corporation, for the uses and purposes stated herein.

Witness my hand and seal:



My Commission Expires 12/07/09

Debra K. Rogers

Notary Public

Print Name: Debra K. Rogers

My Commission Expires: 12/07/09

Address: 1675 Broadway, Ste 2800

Denver, CO 80202

MEMORANDUM OF SURFACE DAMAGE AGREEMENT

This Memorandum is made and entered into this 2nd day of July, 2007, by and between **Jerome H. and Lydia Loeffler**, husband and wife, ("Owner") with an address at 23896 Weld County Road 35, La Salle, Colorado 80645, and **K.P. Kauffman Company, Inc.** ("KPK") with an address at 1675 Broadway, Suite 2800, Denver, Colorado 80202-4628.

As of the date above, Owner and KPK entered into a Surface Use Agreement ("Agreement") providing for the use of the surface of the land described below by KPK in connection with certain oil and gas operations and the compensation to Owner for all damages (except as provided for in the Agreement) to the surface of the land associated with the drilling, testing completion, reworking, pumping, operation and maintenance of the well site to be located in:

W/2NW/4 Section 1, Township 4 North, Range 66 West, 6th P.M., Weld County, Colorado.

This Memorandum of Surface Use Agreement is executed by Owner and KPK and placed of record in Weld County, Colorado for the purpose of placing all persons on notice of the existence of the Agreement. A true and complete copy of the Agreement is available from KPK to any person with an interest in the above described land.

OWNER:

Jerome H. Loeffler
Jerome H. Loeffler

Lydia Loeffler
Lydia Loeffler

K.P. KAUFFMAN COMPANY, INC.

Kevin P. Kauffman
By: Kevin P. Kauffman, Chairman and
Chief Executive Officer



3512656 10/22/2007 02:12P Weld County, CO
2 of 2 R 11.00 D 0.00 Steve Moreno Clerk & Recorder

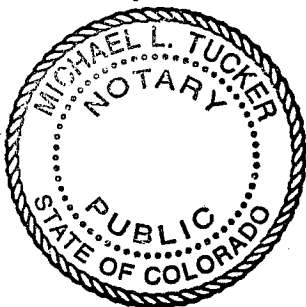
ACKNOWLEDGEMENTS

STATE OF COLORADO)

COUNTY OF Weld)

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Witness my hand and seal:



Michael L. Tucker

Notary Public:

Print Name: Michael L. Tucker

My Commission Expires: _____

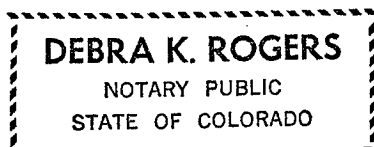
Address: My Commission Expires 09/25/2007
1615 California, Suite 702
Denver, Colorado 80202

STATE OF COLORADO)

COUNTY OF DENVER)

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Witness my hand and seal:



My Commission Expires

12/07/09

Debra K. Rogers

Notary Public

Print Name: Debra K. Rogers

My Commission Expires: 12/07/09

Address: 1675 Broadway, Ste. 2800

Denver, CO 80202